

PressRelease

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FOR IMMEDIATE RELEASE

Editor's Note: This news release outlines the position of the staff members of the Washington Utilities and Transportation Commission (WUTC). In formal proceedings, such as this case, commission staff function as an independent party. Opinions, testimony and settlement agreements proposed by the staff should not be confused with findings and decisions made by the three-member commission. After consideration of the record of evidence presented by all witnesses, the three-member panel will issue a signed, written order informing the parties and public of its decision. In this case, the commission also must decide whether the merger is jurisdictional and subject to its approval. Staff testimony on this case is available at the agency's Internet website.

Utilities staff require better phone service in state if proposed merger is to be approved

OLYMPIA, Wash. — In testimony filed today, utilities staff members are calling for better telephone service, more investment and tougher competitive safeguards as part of clearing the way for approving Qwest Communications International's proposed \$48 billion merger with US West, Inc.

The three-member Washington Utilities and Transportation Commission (WUTC) will make a final decision on the merger in early summer. Public hearings on the merger proposal will be scheduled around the state in early spring. Seventeen other parties in the case could file testimony today. The commission regulates the local telephone rates and services in Washington provided by Denver-based US West.

Staff of the WUTC expressed concern Qwest has not made any commitments to increase investment, improve phone service or open the company to greater competition. Before giving the acquisition its blessing, commission staff is recommending stringent conditions be placed on Qwest's proposed takeover of US West, the state's largest local phone company.



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“Safeguards are needed to ensure that Qwest takes over US West for the right reasons, to bring new services and better service to customers and not simply to leverage the cash flow generated by US West’s customers to finance Qwest’s next corporate deal,” said Glenn Blackmon, assistant director for telecommunications.

Qwest, as the new combined company would be named, must also get regulatory approval for the proposed merger from the Federal Communications Commission and nine of the 14 state regulatory commissions where US West operates. Last month, Colorado regulators became the first state to approve the buyout plan. Shareholders of both companies voted to approve the deal last November. Qwest is the nation’s No. 4 long-distance carrier, headquartered in Denver and employs about 64,000 worldwide.

Investment and Rate Stability

The two phone companies are predicting more than \$4.3 billion of cost savings as a result of the merger. Commission staff estimated that \$233 million of those savings are from Washington state US West customers and recommended these savings should be used to correct the company’s problems of poor service and inadequate investment. Staff maintain Qwest should not be allowed to raise rates for telecommunications services until the company has invested an additional \$500 million in the state’s telephone network. This would represent a 30 percent increase in spending over the next five years.

US West is the only phone company in the state still using outdated analog switching equipment. Under staff’s plan, Qwest would have to invest enough money to modernize its phone system and prepare for growth, installing digital switches and connecting all the cities served by US West with a high-capacity fiber-optic network.

Stronger Consumer Protections

Staff also recommended a package of credits for customers who experience bad service. Customers would receive a \$50 credit if Qwest is unable to repair an out-of-service line within 24 hours or if the line fails a second time within a week. The credit would not apply if the problem was caused by the customers’ telephone equipment.

A second credit, equal to one month's phone charges, would apply in situations where customers are repeatedly unable to get dial tone due to inadequate capacity or outdated equipment. This credit would address situations like those that occurred in parts of North Seattle, Lake Forest Park and Shoreline last year. The credit would apply to all customers in an area with dial-tone problems and all monthly phone fees would be waived in any month.

Competitive Safeguards

In addition to these consumer protection measures, the staff proposed the WUTC impose competitive safeguards on Qwest. Qwest would have to set up a separate corporate subsidiary to offer advanced services such as digital subscriber lines and Internet access. This subsidiary would have to compete on even terms with other carriers that offered advanced services and could not obtain preferential access to the basic telephone network. Also, if Qwest failed to give its competitors open access to the local network by April 2001, it would have to file a plan with the commission to split the company into separate wholesale and retail operations.

US West serves eight out of 10 local telephone customers in Washington for a total of 3 million residential and business phone lines. US West is one of the seven regional Bell operating companies created by the breakup of AT&T in 1982. The phone company serves 25 million customers in 14 Midwest and Western states.

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